

A Short Outline of the “Headlee” Tax Limitation Amendment

*Prepared for the Michigan House of Representatives
Oversight, Reform, & Ethics Committee*

I. History; the “Tax Revolt”; Key Events

- Situation in the 1970s: growing population, growing government, growing tax burdens; inflation; “malaise”
- Michigan: “Headlee”; California “Prop 13”
- Third effort in Michigan
- Contributors included Al Schmid, Milton Friedman, Bill Niskanen, Bill Shaker as well as Dick Headlee
- Debate and Adoption
- Implementation (PA 101 of 1978)
- Blue Ribbon Commission (1994)
- Supreme Court and Appeals Court decisions: *Durant*, *Bolt*, *Livingston County*, *Oakland County*

II. Key Provisions

- A. Section 26: State Revenue Limit
- B. Section 29: State-Mandated Services of Local Government
- C. Section 30: Minimum Local Share
- D. Section 31: Voter Approval of New or Increased Local Taxes
- E. Section 6: Voter Approval of Local Government Bonds

III. Specific Issue: Local Government Mandates

- Distinction between “service required by state law” and other services
- Distinction between “necessary” and other costs
- Role of state in constitutional structure of Michigan

IV. Remembrance of Richard Headlee

Resources at www.AndersonEconomicGroup.com

The following selected reports on the Michigan economy are available at www.AndersonEconomicGroup.com:

- *2008 State Business Tax Burden Rankings, 3rd Annual Report* (March 2009)
- *Dollars and Sense: How State and Local Governments in Michigan Spend Your Money* (January 2011) —also available at www.Michigan.gov/Snyder
- *Economic Benefits of the Earned Income Tax Credit in Michigan* (August 2009)
- *Effectiveness of Michigan's Key Business Tax Incentives* (March 2010)
- *The Tax Burdens of the Michigan Single Business Tax* (May 2005)

About Anderson Economic Group, LLC

Anderson Economic Group is a consulting firm specializing in economics, public policy, and financial valuation for clients across the U.S. Anderson Economic Group was founded in 1996 and currently has offices in East Lansing, Michigan and Chicago, Illinois.

Past efforts have resulted in change in sales tax law (1998); reform to laws on property tax reversion (1999); creation of an IPPT credit (2005); repeal of the SBT (2006), and creation of a Michigan EITC (2008).

About Patrick L. Anderson

Patrick L. Anderson founded Anderson Economic Group in 1996 and currently serves as the principal and CEO of the firm.

Mr. Anderson has written over 100 published works, including the book *Business Economics & Finance* (CRC Press, 2004). He is also the executive editor of *The State Economic Handbook* 2008, 2009, and 2010 (Palgrave MacMillan). His 2004 article “Pocketbook Issues and the Presidency” won the Mennis award for the best business economics paper, and his 2009 paper “The Value of Private Business in the United States” has been awarded the Scroll award for best contributed paper of 2009, both from the National Association of Business Economics.